Risk Management

Addressing Risk and Compliance

We strive to stay aware of potential risks that could severely impact our business management, and to either prevent them from manifesting or respond to them if they become a reality. We, therefore, maintain a risk management system and risk response frameworks. We have also identified thorough compliance as one of the key governance issues we must address, and we will use various measures to strengthen our managerial foundations, supporting rapid business growth under a multi-product structure.

Risk and Response Categories

Our software is cloud-based, so the management and business risks we face primarily relate to information security and technological innovation. Yet we also face risks in areas of high uncertainty, such as changing business practices and user trends due to the COVID-19 pandemic. We strive to stay aware of potential risks that could severely impact our business management and to either prevent them from manifesting or respond to them if they become a reality. We, therefore, maintain a risk management system and risk response frameworks.

Classification	Item	Details	Response
Information security risks	1) Handling of personal information	• Leaks, loss, falsification, or unauthorized use of customer information due to natural disasters, accidents, malicious and/or unauthorized access by external parties, and intentional acts or negligence by inside parties	• Establish and operate a personal information protection management system • PrivacyMark certification • ISMS, ISO27017 certification and SOC2 reports • Require all employees to acquire certification as a Protection of Individual Information Person • Gather information on new legal regulations in Japan and overseas, and implement necessary responses • Ensure compliance with laws and regulations and manage contractors' safety
	2) Equipment and network stability	• System failures due to natural disasters such as fires and earthquakes, external damage, human error, or other unexpected events that interfere with the use of our equipment and network	• Conduct load balancing and periodic backups across multiple servers • Set up real-time access log checking functions and an immediate notification system for software failures • Conduct recovery training based on failure scenarios
Risks to services	3) Service failures, etc.	• Problems arising in our applications, software, and systems • Major defects identified that could interfere with our business operations	• Build and maintain a highly reliable development system • Develop and implement incident guidelines for services
Risks from external environment	4) Internet access environments	• New internet usage regulations being introduced and having adverse effects	• Gather information on internet-related legal regulations, identify issues, and implement solutions
	5) Cloud business	• Increased competition due to the emergence of groundbreaking services from other companies • Demand for our cloud services falling significantly below our expectations	• Create new value • Proactively introduce new technologies • Protect our intellectual property rights by obtaining patents, etc. • Promote M&A, and capital and business alliances
	6) Responding to technological innovations	• Slow responses to technological innovations, etc. • Unexpected development costs, etc.	
Risks from external environment	7) Competition	• Increased competition from existing operators and new entrants	• Create new value • Proactively introduce new technologies • Protect our intellectual property rights by obtaining patents, etc. • Promote M&A, and capital and business alliances
	8) COVID-19 pandemic	• Negative impact on new Sansan sales activities due to cautious investment by companies • Reduced growth of Eight's recruiting services due to companies' reluctance to recruit	• Develop services and functions suited to societal changes • Develop and implement a Business continuity plan for dealing with infectious disease spread
Investment risks	9) Upfront investments in advertising and promotions	• Significantly increased expenditures due to changes in advertising policies and plans	• Monitor cost effectiveness of advertising activities
	10) Investments such as corporate acquisitions	• Delayed business planning after an acquisition or investment	• Conduct sufficient due diligence on target companies • Carefully monitor and follow up with target companies
	11) System infrastructure investments	• Unexpected additional investments in hardware and software to ensure stable operation of services	• Carefully monitor external access • Design appropriate system infrastructure investments to accommodate business expansion
Human risks	12) Establishment of management control system	• Delays in building a business structure and internal management system to accommodate expansion of the scale of our business	• Develop rigorous internal control systems in line with business and employee growth
	13) Training and securing human resources	• Lack of qualified personnel • Delays in securing sales personnel for Sansan/Bill One, and loss of sales personnel	• Actively recruit human resources • Strengthen systems through internal training, etc. • Improve working environments
	14) Dependence on specific individuals	• Occurrence of any event that makes it difficult for Representative Director Chika Terada to continue working for any reason	• Ensure company structure is not overly reliant on the Representative Director • Strengthen information sharing among board members and the managing organization
Legal risks	15) Laws and regulations	• Impacts of new privacy-related laws and regulations in Japan and overseas, as well as laws regulating internet-related businesses, etc.	• Gather information on legal regulations, etc., identify issues, and implement solutions
	16) Intellectual property right infringement, etc.	• Claims for damages or injunctions from third parties for patent or trademark infringement • Third-party infringement of our intellectual property	• Conduct patent infringement searches through patent firms • Apply for and register trademarks • Implement legal measures
Overseas risks	17) Launching overseas	• Difficult to address risks specific to foreign countries • Delays in monetizing overseas businesses	• Gather information and identify issues in regions where business is to be developed, and formulate appropriate business plans
Others	18) Granting incentives	• Dilution of existing shareholders' shares from exercising issued stock options	• Design stock options with due consideration of market conditions and impacts on existing shareholders

Risk Management

Compliance

In line with our philosophy, our basic policy is to conduct appropriate corporate activities based on high ethical standards. We believe it is essential to develop our business fairly and responsibly, using the added value we generate as a source of competitiveness. Based on this approach, we have identified “Ensure compliance” as one of our material issues to prioritize. In line with this, we are making efforts to instill an awareness of compliance among all employees.

Compliance Structure

In line with our Compliance Regulations, which stipulate basic matters related to compliance, we have established a Compliance Committee. The Committee is chaired by the Representative Director who also has ultimate responsibility for compliance. It comprises full-time directors and the heads of the Internal Auditing Department, Legal Department, and Human Resources Division. The Compliance Committee helps formulate related policies and measures and provides overall compliance monitoring. In principle, the Committee meets once a year, but it also meets as needed in the event of misconduct or other irregularities.

Establishing Internal Reporting Contacts

We have established internal reporting structure regulations for promptly assessing and dealing with information on violations or potential violations of laws and regulations. We have also established internal reporting contacts available to all employees (including contract, temporary, and part-time employees) and former employees.

We have established three contact points alongside the Internal Reporting Contacts handled by the Internal Auditing Department. Others include an external contact outsourced to an outside law firm and an external contact handled by the Audit & Supervisory Committee, which is composed entirely of outside directors who are also Committee members.

In accordance with the Whistle-Blower Protection Act, the content and privacy of consultations are protected at the reporting stage, and those making reports are fully protected from prejudicial treatment. Also, the external contacts are fully independent from the company. In addition to the Internal Reporting Contacts, a Harassment Consultation Contact has been established and is managed by the Human Resources Division under strict confidentiality, so employees can feel comfortable about discussing harassment issues with us.

How Internal Reporting Works

Each contact enables whistleblowers to make anonymous reports by email, using a dedicated form, or by postal mail. After receiving the report, the contact will make a report to the Compliance Committee and the Audit & Supervisory Committee and conduct a fair and impartial investigation based on the report’s content and a detailed hearing with the individual filing the report. If the investigation uncovers illegal activities, necessary corrective measures and other relevant responses will be implemented. Prompt steps will also be taken to prevent recurrence and ensure that similar problems do not arise.

Reporting/Consulting Contacts

Contacts	Section in Charge
Internal Reporting Contact	Internal Auditing Department
External Contact (Law Firm)	Outsourced law firm
External Contact (Audit & Supervisory Committee)	Audit & Supervisory Committee
Harassment Consultation Contact	Human Resources Division

Addressing Antisocial Forces

Our policy against antisocial forces and groups that threaten social order and safety is defined in our Basic Policy regarding Antisocial Forces. We fully recognize the importance of cutting all ties with antisocial forces from the perspective of social responsibility, compliance, and corporate defense, and all our directors, officers, and employees will strive to ensure the appropriateness of and safety in our duties by complying with this Policy.

Addressing Bribery Risks

We believe raising awareness of bribery is vital to our accelerated business development in Japan and overseas. In response, we have established basic anti-bribery principles and specific behavioral guidelines. Moreover, to further reinforce ethical conduct and attitudes, we will use our guideline to do our utmost to prevent bribery-related acts (including facilitation payments).

Conducting Internal Audits

The Internal Auditing Department reports directly to the Representative Director. It conducts periodic internal audits of each department and organization to confirm their compliance with internal regulations. Specifically, it prepares an internal audit plan for each fiscal year and provides suggestions and guidance for improving operations as required. It also confirms that suggested improvements are made. Results are then reported to the Representative Director and the audited departments. Additionally, it holds regular dialogues with the Committee and shares information necessary for audits.

Security Audits

Through independent and objective audits, the Internal Auditing Department confirms the status of compliance with our personal information protection management system (JIS) and the status of JIS operation. It also monitors whether the management of information systems for handling information assets is adequately maintained and performed.

Comprehensive Auditing

Through independent and objective audits, the Internal Auditing Department confirms that our business operations and management of assets and facilities are being appropriately executed and managed.

Holding Compliance Training

We ensure all officers and employees undertake training on preventing various types of harassment in the workplace and that they correctly understand the factors of harassment, such as abuse of one’s position of power and a lack of awareness of power dynamics, as well as inadequate understanding and knowledge about different values. Furthermore, in addition to formulating management policies for insider trading, we strive to improve employees’ awareness and knowledge of legal compliance by holding regular seminars and training sessions on insider trading regulations.

Compliance Training for New Graduates and Mid-career Hires

We offer a variety of training programs for new graduates and mid-career hires over set periods. Specifically, we incorporate lecture-style and e-learning programs to ensure an even deeper and broader understanding of information security and compliance. New employees are also required to take tests on topics such as JIS, information security, insider trading, and the use of social media.